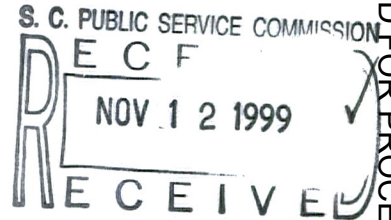


GUIDELINES FOR PRICES SET
BY BELL SOUTH



Article I. AUTHORITY TO ADOPT GUIDELINES PURSUANT TO
STATUTE

- Section 1.01 - S.C. Code Section 576(B)(5) requires that the Public Service Commission of South Carolina (the "Commission") adopt guidelines with regard to rates set by BellSouth. The following guidelines are adopted by the Commission regarding changes in rates or setting of prices for new products and services as required by the statute.
- Section 1.02 - The Guidelines include a Complaint Process pursuant to terms and conditions set forth in S.C. Code Section 58-9-576 (B) (5):

The LECs shall set rates for all other services on a basis that does not unreasonably discriminate between similarly situated customers; provided, however, that all such rates are subject to a complaint process for abuse of market position in accordance with guidelines to be adopted by the commission.

Article II. DEFINITIONS

1. The term "abuse of market position" means using market power to harm competition in a relevant market. In general, "using market power" means

doing something that would not make rational economic sense for a firm without market power. For example, predatory pricing would not make rational economic sense for a firm without market power. An "abuse of market position" occurs when the carrier electing to be regulated under Section 58-9-576(B) uses its market power to price services other than flat-rated local exchange services for residential and single-line business customers in a way that harms competition in any relevant market in South Carolina.

2. The term "basic services" under Section 58-9-576(B)(3) means flat-rated local exchange services for residential and single-line business customers.
3. The term "cap on basic services" means with respect to the pricing of basic services, such prices cannot be increased from current levels for a fixed period of time. Section 58-9-576(B)(3) requires a cap on "basic services" for a period of two years from the date that BellSouth filed its election with the Commission. Order No. 95-862-C, however, imposes a cap for a period of at least sixty months from January 1, 2000, the date of reduction of rates for certain specified basic services. Further, in

addition to basic services under Section 58-9-576(B)(3), Order No. 95-862-C applies the cap to the following: Residential Standard Measured Service Plan, Residential Low Use Measured Service Plan, Residential Area Plus Service without Complete Choice, Business Message Rate Plan and Business Optional Measured Service.

4. The term "complaint process" means the process whereby a party may bring a complaint before the Commission as set forth herein. For example, an allegation could be made that BellSouth is harming competition through "predatory pricing" or through a "price squeeze" as those terms are interpreted under federal antitrust case law.
5. The term "inflation-based index" means the amount that the rates for Basic Services provided by BellSouth may be adjusted on an annual basis after the expiration of the cap. The inflation-based index will be established prior to the expiration of the cap.
6. The term "reasonable discrimination" means differentials in price or other terms and conditions of service where a rational basis for the differential exists. For example, a difference in

the cost of providing the service or a difference in the degree to which the customer has access to a competitive alternative may both create a rational basis for reasonable discrimination.

7. The term "similarly situated," when used to compare individual customers, or groups of customers, means that there is no rational basis for differentiating between the individual customers or groups of customers. For example, a business customer is not "similarly situated" with a residential customer because the underlying fundamentals of universal service create a rational basis for the customers being differentiated. Therefore, BellSouth would not be obligated to provide a business customer with service at the same price and on the same terms and conditions as a residential customer even though the underlying cost and functionality might be similar.
8. The term "unreasonable discrimination" means differentials in price or other terms and conditions of service among customers or groups of customers where no rational basis for the differential exists.

Article III. GUIDELINES FOR SETTING PRICES

1. Pricing Flexibility - Appropriate pricing flexibility for all telecommunications companies is

vitally important to the ability of competition to deliver the benefits to customers and to regulate the marketplace effectively.

2. Prices for Unchanged Rates - The rates, terms and conditions in effect in the then-existing tariffs and contracts for all services which were in effect on July 14, 1999, the date that BellSouth notified the Commission of its intent to elect the plan described in Section 58-9-576, are considered just and reasonable.
3. Changes to Prices for Basic Services - Section 58-9-576(B)(4) allows BellSouth to increase its Basic Service prices upon expiration of the cap and pursuant to an inflation-based index as defined herein. An inflation-based index will be established prior to the expiration of the cap. The telecommunications landscape will constantly undergo market, competition, and other changes; therefore, it is premature to set an inflation-based index in these guidelines that will not become effective until the expiration of the cap. This delay in setting an inflation-based index is appropriate and does not result in any harm to BellSouth's customers or competitors, because until such an index is established, BellSouth will not have the ability to

adjust its rates for Basic Services.

4. Changes to Prices for Services other than Basic Services - In setting the prices for all other services, BellSouth must adhere to the requirements contained in Section 58-9-576(B)(5). Changes to those rates must not unreasonably discriminate between similarly situated customers and must not reflect an abuse of market position.
5. Pricing for the Introduction of New Products and Services - In the pricing for the introduction of all new products and services, BellSouth must adhere to the requirements contained in Section 58-9-576(B)(5). Those prices must not unreasonably discriminate between similarly situated customers and must not reflect an abuse of market position.
6. All pricing shall comply with Section 58-9-576(B)(6). Tariffs filed are presumed valid and the timeframes set forth pursuant to such Section shall not be affected by allegations of violations of the price setting guidelines or complaints filed through the process outlined below. Section 58-9-576(B)(6) provides for presumptive validity (with specified time frames) of tariffs filed for price decreases and increases and for new services.
7. Although not required by Section 58-9-576,

BellSouth's price increases for services other than Basic Services shall not exceed five percent (5%) of aggregate revenues in a twelve (12) month period. BellSouth shall provide appropriate documentation to demonstrate compliance.

Article IV. PROCESS FOR COMPLAINTS OF VIOLATIONS OF PRICE SETTING GUIDELINES

1. General - The following Complaint Process is to be used for allegations of violations by BellSouth of the above price setting guidelines as set forth in Section 58-9-576(B)(5).
2. Complaint Process Availability - The complaint process will be available without overly strict or burdensome rules of pleading and practice. This process will be monitored by Commission staff to ensure that it is not used for the mere purpose of creating protracted and expensive hearings to thwart competition every time a tariff revision is filed.
3. Timing of Process - To protect the rights of all involved and ensure that competition is not impeded, the process should move as quickly as possible. Time periods for filings should be reasonably brief, and hearings, in those cases where they are deemed appropriate, should occur as soon as possible. The

entire complaint process, from the filing date of the complaint through the issuance of a Commission written order, shall be completed within one hundred and twenty (120) calendar days.

4. Incorporation of Current Procedural guidelines - S.C. Code of Laws, Article 9, "*Telephone Companies - Commission Hearings, Investigations and Proceedings*," for example, Sections 58-9-1080, 58-9-1090, 58-9-1100 and 58-9-1110 as well as other Rules and Regulations currently used by the Commission for considering and making determinations in complaint matters are incorporated by this reference as an integral part of the procedural guidelines adopted by the Commission.

5. The Complaint

- (i) The complaint must state the factual and legal basis for the claim with as much specificity as possible.

- (a.) In order to establish a violation for discrimination pursuant to this provision, the complaining party must establish that discrimination has occurred, the discrimination that has occurred is between customers who are similarly situated, and that there is no underlying rationale for the discrimination

which has occurred.

(b.) In order to establish a violation for abuse of market position pursuant to this provision, the complaining party must establish that BellSouth has market power in a relevant market, that BellSouth prices its services other than flat-rated local exchange services for residential and single-line business customers in a way that harms competition in a relevant market in South Carolina, and that competition in that market has been harmed.

(ii) The complaint must be filed at the Commission and accompanied by supporting documents and verified pre-filed testimony.

(iii) The complaining party must serve the complaint and accompanying materials on BellSouth.

6. BellSouth's Answer

(i) BellSouth must file an Answer within thirty (30) days of the later of the filing of the complaint with the Commission or receipt by BellSouth of service of the complaint.

(ii) The Answer must state BellSouth's defenses with as much specificity as possible and set forth the reasons why the allegations are not true

as alleged.

(a.) In responding to a Complaint concerning discrimination, the answer should set forth the reasons why discrimination has not occurred, and/or the reasons why the discrimination that has occurred is between customers who are not similarly situated, and/or an underlying rationale for the discrimination which has occurred.

(b.) In responding to a Complaint concerning allegations of abuse of market position, the answer should set forth the reasons why BellSouth's pricing is not an abuse of market power.

(c.) Any other defenses to the allegations must be included in BellSouth's answer.

(iii) BellSouth must serve the Answer on the complaining party and on all Commission-approved intervening parties.

7. Threshold determination - The Commission shall make a threshold determination based on the complaint and supporting materials as well as BellSouth's answer. In doing so, the Commission shall determine whether

the facts alleged in the complaint, if true, would form the basis of a legitimate claim. Only those complaints which pass this threshold test should be investigated further and set down for a hearing so that the complaining party has the opportunity to prove the facts alleged. Broad generalizations are not sufficient to meet the requirements of a complaint. For example, a complaint alleging that BellSouth has changed its price for a particular service and that change is, therefore, an "abuse of market position" would not survive this first step review. This threshold determination shall be completed within forty-five (45) days of the later of the filing of the Complaint or receipt of service of the Complaint upon BellSouth.

8. If the Commission determines that the complaint does not meet the standard set forth in the threshold determination, it shall issue a written order setting forth its reasoning in rejecting the complaint.
9. If the Commission determines that the complaint meets the standard set forth in the threshold determination, BellSouth must file any additional defenses, all supporting documents, and verified

pre-filed testimony within fourteen (14) days.

10. The matter shall be set for formal hearing as soon as available, but not sooner than fourteen (14) days after BellSouth's filing of supporting documents and testimony as set forth in paragraph 9.
11. The remainder of the Complaint Process shall be conducted pursuant to current rules for hearings and determinations with regard to Complaints. As referenced above, all determinations shall be completed no later than one hundred and twenty (120) days from date Complaint is filed.
12. Should the Commission determine after investigation that a tariff filing is disapproved, the Commission shall have authority to require adjustments to customer bills for any applicable price differential. Said adjustments shall be authorized from the date the tariff became effective through the date of its disapproval.